



## REQUEST FOR PROPOSALS: Auditing Services

RFP Issue Date: November 19, 2012

### INTRODUCTION

#### General Information

The City of Anniston is requesting proposals from qualified certified public accounting firms to audit its financial statements for the fiscal year ending September 30, 2012, through the fiscal year ending September 30, 2014. The continuation of the contract after each year is solely at the discretion of the City of Anniston.

In addition to the standard financial and compliance audit, the City requires the conduct of a Single Audit of its federal grants in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and any other applicable federal regulations. The City is the recipient of Community Development Block Grant funds of approximately \$700,000 annually as a federally designated CDBG Entitlement City. In addition to these HUD funds, the City typically receives limited funds from the US Department of Justice as well as Federal funds passed through from the Alabama Department of Transportation and the Alabama Department of Economic and Community Affairs.

There is no expressed or implied obligation for the City of Anniston to reimburse responding firms for any expenses incurred in preparing proposals in response to this request for proposals.

Submission of proposals: Interested firms should submit an electronic version of their proposal no later than **5:00 p.m. on Friday, December 7, 2012**, to [dmccullars@annistonai.gov](mailto:dmccullars@annistonai.gov) and [jsimmons@annistonai.gov](mailto:jsimmons@annistonai.gov).

During the evaluation process, the City reserves the right to request additional information, clarifications, or to allow corrections of errors or omissions. Additionally, firms are encouraged to solicit answers to any question that may arise.

The City of Anniston reserves the right to retain all proposals submitted and to use any ideas in the proposals regardless of whether it is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this RFP, unless clearly and specifically noted in the proposal submitted and confirmed in the agreement between the City of Anniston and the firm selected.

#### Term of Engagement

A three-year agreement, subject to annual review by the Director of Finance and the City Manager for the City of Anniston, the satisfactory negotiation of terms (including a price acceptable to both the City of Anniston and the selected firm) and the concurrence of the City Council.

In the event of a merger of the selected audit firm with another firm of certified public accountants or the change of partners to the audit firm, this contract will be transferable to the successor firm with the written approval of the City.

The City may terminate this agreement at any time by giving the auditor not less than thirty (30) days prior written notice of such termination. Nothing herein shall be deemed a limitation upon the City's right to terminate for cause or otherwise to pursue such legal or equitable rights or remedies which may accrue to the City hereunder.

#### Scope of Work to be Performed

To meet the requirements of this RFP, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants and generally accepted government auditing standards as established by *Government Auditing Standards* issued by the Comptroller General of the United States. The City of Anniston desires the auditor to express an opinion on the fair

presentation of its financial statements in conformity with generally accepted accounting principles established by the Governmental Accounting Standards Board and the Financial Accounting Standards Board.

The City implemented the GASB's new reporting model in 2003. During the 2007 fiscal year, the City valued and began depreciating all pre-34 infrastructure assets. The City has completed documentation on all infrastructure capital assets, as allowed by the GASB deferral.

The auditor shall also be responsible for preparing the supplementary information required by the Governmental Accounting Standards Board's generally accepted accounting principles and applicable grant agreements.

The auditors shall provide to the City documentation of all proposed audit adjustments including appropriate back-up documentation and will meet with staff, if requested, to discuss all proposed audit adjustments.

### **Irregularities and Illegal Acts**

Auditors shall be required to make an immediate, written report to the Finance Director of all irregularities and illegal acts or indications of illegal acts of which they become aware during the course of the audit.

### **Internal Control Communications**

Upon completion of the auditor's documentation and review of the internal controls, the auditor shall meet with the Director of Finance to report on the result of the internal control review, clearly identifying each weakness noted, whether or not the auditor considers them material weaknesses. The auditor shall provide a written memorandum summarizing this meeting to the Director of Finance within ten working days after the meeting. The auditor shall report, in writing, to the Director of Finance any other material internal control weaknesses noted at any other points in the audit process. Such reports shall be provided within ten working days of the date on which the auditor discovered such internal control weakness.

### **Reports to be Issued**

Following the completion of the audit of the fiscal year's financial statements, the auditor shall draft the financial statements and narrative notes to the financial statements, and shall issue a report on the presentation of the financial statements in conformity with generally accepted accounting principles and government auditing standards, report on internal controls and federal awards.

The auditor shall prepare the following reports at the completion of the audit:

1. The auditor will prepare a draft of all financial statements and notes to the financial statements required for the annual financial report including all six discretely presented component units and the one blended component unit. **Note that a CAFR will NOT be required.** Each of the component units will be compiled/audited separately and should not be considered in this proposal except for the Anniston Museum of Natural History, which should be included in the scope of the audit as it is deemed a city department. The Anniston Public Building Authority is a blended component unit of the City and is included within the scope of the audit. It is expected that the primary auditor will conduct appropriate communications with the component unit accountants. The City will prepare and supply the management's discussion and analysis.
2. A Single Audit report on the financial statements, internal controls and compliance in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and any other applicable federal regulations for compliance with the Single Audit Act, as may be required.
3. Non-reportable conditions discovered by the auditors shall be reported in a separate letter to the City Manager. The required management letter should include a statement of audit findings and recommendations affecting the financial statements, internal controls, accounting, accounting systems, legality of actions, other instances of noncompliance with laws and regulations, and other material matters.

## **Working Paper Retention and Access to Working Papers**

All working papers and reports must be retained, at the auditor's expense, for a minimum of five (5) years. If the firm is notified in writing by the City of Anniston of the need to extend the retention period, the auditor may be required to extend the work paper retention period an additional 3-5 years. The auditor may be required to make any and all working papers available, upon written request, to the City of Anniston. The City of Anniston shall be authorized to make photocopies of any and all work papers.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance, consistent with statement on auditing standards applicable to date.

## **DESCRIPTION OF THE GOVERNMENT**

### **Principal Contact**

The auditor's principal contacts, which will coordinate the assistance to be provided to the auditor by the City of Anniston, will be Danny A. McCullars, Director of Finance, (256) 231-7780 ([dmccullars@annistonai.gov](mailto:dmccullars@annistonai.gov)) or Jarrod Simmons, Assistant Director of Finance (256) 231-7799 ([jsimmons@annistonai.gov](mailto:jsimmons@annistonai.gov)).

### **Background Information**

#### ***The City of Anniston***

Anniston has a Council/Manager form of municipal government. The City Council consists of four council members elected from four wards and the Mayor, who is elected at large. This legislative body establishes policy to guide the various City departments in providing services to citizens. The City Manager is the chief executive officer of the City, directing and managing the daily activities of the City government.

The City employs approximately 380 persons full-time and approximately 35 on a part-time or temporary basis. Police protection is provided by the Anniston Police Department, which consists of 92 sworn police officers and operates out of one central police station. The Fire Department, consisting of 88 sworn personnel, provides fire protection to the City's residents. The Department operates out of six stations. The City also provides other municipal services, such as maintenance of public roadways and related infrastructure, environmental services (solid waste disposal and animal control), inspection of new and existing construction, planning and zoning, parks and recreation, and general administration.

The City's 2012 General Fund Budget, adopted by the City Council, was \$31.9 million. In addition, there are approximately 20 special revenue and capital projects funds subject to audit, many of these are for compliance purposes and will require limited audit procedures.

The City is a member of the Retirement Systems of Alabama, which employs an independent actuary to determine the City's required contribution to its pension funds. The Police and Fire Department have an independent retirement system which is audited separately and included as a trust fund on the City's books.

The City of Anniston Finance Department provides the revenue, budgetary, accounting, treasury management, purchasing, reporting, payroll, human resources, accounts receivable, accounts payable, and information technology functions to the City. The Finance Department has a staff of eight full time employees, plus the City Clerk.

The City of Anniston has two outstanding Bond Issues (2010A and 2010B) as well as two Bond Issues within the blended component unit (PBA). The City is a member of the Honda Funding agreement. Total debt outstanding on the two city issues is \$7.4 million. The debt outstanding on the PBA issues is \$31.1 million and the Honda Funding outstanding balance at 9/30/11 was \$513,729. Capital lease debt is approximately \$500,000.

## **TIME AND REPORT REQUIREMENTS**

### **Calendar of Milestone Dates**

We expect to be ready for the auditing firm to begin fieldwork on or about January 31<sup>st</sup>. This date is liberal and the awarded firm will have leeway. Preliminary internal control work can begin at a mutually agreed upon time. Applicable Federal reporting requirements are due by June 30<sup>th</sup> each year. The books will include all end of year adjustments.

### **Report Requirements**

The independent auditor shall type, produce, assemble and submit to the City a high quality PDF copy of the Financial Report and Management Letter. (The City may request up to ten printed and bound copies of these items.)

## **CLIENT ASSISTANCE TO BE PROVIDED TO THE AUDITOR**

### **Finance Department and Clerical Assistance**

The City's Finance Department's administrative staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation and explanations. The City staff will prepare all confirmations for auditor mailing, and any other process to maximize efficiency and lower cost.

The City will provide the auditor with reasonable workspace, desks, and chairs. The auditor will also be furnished with internet access, inquiry and report printing assistance from the City's financial system, telephones, facsimile machines, and photocopying machines.

## **PROPOSAL REQUIREMENTS**

### **Deadline to Submit Proposal**

The Finance Director must receive completed proposals, at City Hall, by 5:00 p.m. on December 7, 2012.

The proposal should be signed by a general partner or other person having authority to commit the firm to its contents.

### **Independence**

The firm should provide an affirmative statement that it is independent of the City of Anniston as defined by generally accepted auditing standards and/or Alabama ethical standards.

### **Firm Qualifications and Experience**

The proposal should state the size of the firm's governmental audit staff (professionals only), the location of the office from which the work on this engagement is to be performed, and the number and nature of the professional staff to be employed in this engagement on a full-time and on a part-time basis.

The firm should identify the principal supervisory and management staff including engagement partners, managers, and other supervisors and staff who would be assigned to this engagement and indicate whether each such person is registered as a certified public accountant in Alabama with applicable governmental continuing education. The firm should also provide information on the government auditing experience of each person. Audit personnel may be changed at the discretion of the firm if replacements have substantially the same or better qualifications or experience.

Each firm should provide information about the firm's peer review status with a copy of the opinion attached.

## **Similar Engagements with Other Municipalities and School Boards**

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements performed that are similar to the engagement described in this request for proposal. Indicate the scope of work, date, engagement partner, total engagement hours, and the name and telephone number of the principal client contact for each governmental auditing engagement listed. Specifically identify those engagements at which the managers and other supervisors who will be assigned to the Anniston engagement have worked.

## **Identification of Anticipated Potential Audit Problems**

The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from the City.

## **DOLLAR COST**

### **Total All-Inclusive Maximum Price**

The proposal should specify all pricing information, for each of the three years, relative to performing the audit engagement as described in this request for proposal. The total all-inclusive maximum price is to include all direct and indirect costs including all out-of-pocket expenses and travel expenses.

The City of Anniston will not be responsible for expenses incurred in preparing and submitting the proposal. Such costs should not be included in the proposal.

## **Manner of Payment**

Progress payments can be made based on hours of work completed during the course of the engagement in accordance with the firm's proposal. Interim billings shall cover a period of not less than one calendar month.

## **EVALUATION CRITERIA**

### **Mandatory Elements**

- 1) The firm is licensed to practice in the State of Alabama.
- 2) The firm is in good standing with the appropriate State Board of Public Accountancy.
- 3) The audit firm's professional personnel have received required continuing professional education in governmental accounting and auditing within the preceding two years.
- 4) The firm has no conflict of interest with regard to any other work performed by the firm for the City of Anniston.
- 5) The firm submits a copy of its most recent external peer review report.
- 6) The firm adheres to the instructions in this request for proposal, on preparing and submitting the proposal.
- 7) The firm has an understanding of the specific needs of the City of Anniston as it relates to the audit engagement.
- 8) Firms may be asked to make oral presentations to supplement the written proposals. These presentations would be held subsequent to the receipt of the written proposals and could be part of the process for determining the qualifications of the auditors. The City will schedule a time and location in Anniston for each oral presentation that it requests. Should a firm refuse to honor the request for an oral presentation or interview, it may result in the rejection of the proposal by the City.

**Technical Qualifications**

- 1) The firm exhibits expertise based on experience and performance on comparable government engagements for Alabama governmental entities.
- 2) The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be assigned to the engagement will also be considered.

**Final Selection**

It is anticipated that an award decision will be made by December 31, 2012.

**Right to Reject Proposals**

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposal unless clearly and specifically noted in the proposal submitted and confirmed in the written agreement between the City of Anniston and the firm selected.

The City of Anniston reserves the right without prejudice to reject any or all proposals.

**Questions by E-Mail**

Feel free to direct any question or comment to Danny A. McCullars ([dmccullars@anniston.al.gov](mailto:dmccullars@anniston.al.gov)) or Jarrod Simmons ([jsimmons@anniston.al.gov](mailto:jsimmons@anniston.al.gov)). A copy of the September 30, 2011 audit is available via the city's website [www.anniston.al.gov](http://www.anniston.al.gov) under the Finance Department page.

Thanks for your interest in the City of Anniston.